Ministry of Culture, Community and Youth

Annual Report on the Co-operative Societies in Singapore

For the financial year ended
31 March 2019

Contents

MESSAGE FROM EXECUTIVE DIRECTOR, REGISTRY OF CO-OPERATIVE SOCIETIES

The Registry of Co-operative Societies seeks to maintain a progressive regulatory framework that protects the co-operative ("co-op") members' interests while co-ops grow and contribute to the community.

The last financial year has been a busy one for the Registry, as we reviewed our regulations and introduced policies to enhance accountability in the sector.

Following the amendments to the Co-operative Societies Act, we updated the Co-operative Societies Rules 2009 ("Rules") and streamlined by-law requirements. We also revised two Written Directions to ensure relevance of the regulations in our current environment, by introducing the Central Investment Scheme and reflecting the changes in international accounting standards. In addition, the Registry issued the Annual Report Requirement which sets out the minimum information to be disclosed in co-ops' annual reports. The requirement aims to ensure adequate disclosure of the co-ops' activities and financial performance to their members.

We have also started on a journey to raise the professionalism in the credit co-op sector a couple of years ago. Together with our partner, the Singapore National Co-operative Federation ("SNCF"), we worked closely with the credit co-ops to develop policies and training programmes that improve competency in key management roles. We will continue to support my brothers and sisters in the credit co-ops by providing guidance and training grants.

The Registry has also supported the development of the co-operative movement through our involvement in the Central Co-operative Fund ("CCF"). Through SNCF, there was more publicity to increase awareness of the co-op movement and to introduce more platforms for co-ops to work together to benefit the community. Over the years, I have seen many co-ops collaborate, innovate and synergise their efforts.

To celebrate Singapore's bicentennial, CCF funded the Bicentennial Pop-Art Events that were organised by SNCF. Each event featured the different co-op sectors. Through art, they showed how our pioneer co-operators came together and shaped our society through their contributions.

I am grateful for the close partnership with the CCF Committee, SNCF and our co-ops. I hope to continue these close relationships so that we can understand our stakeholders' concerns, consider different viewpoints, and together, create better solutions for our sector and community in the years to come.

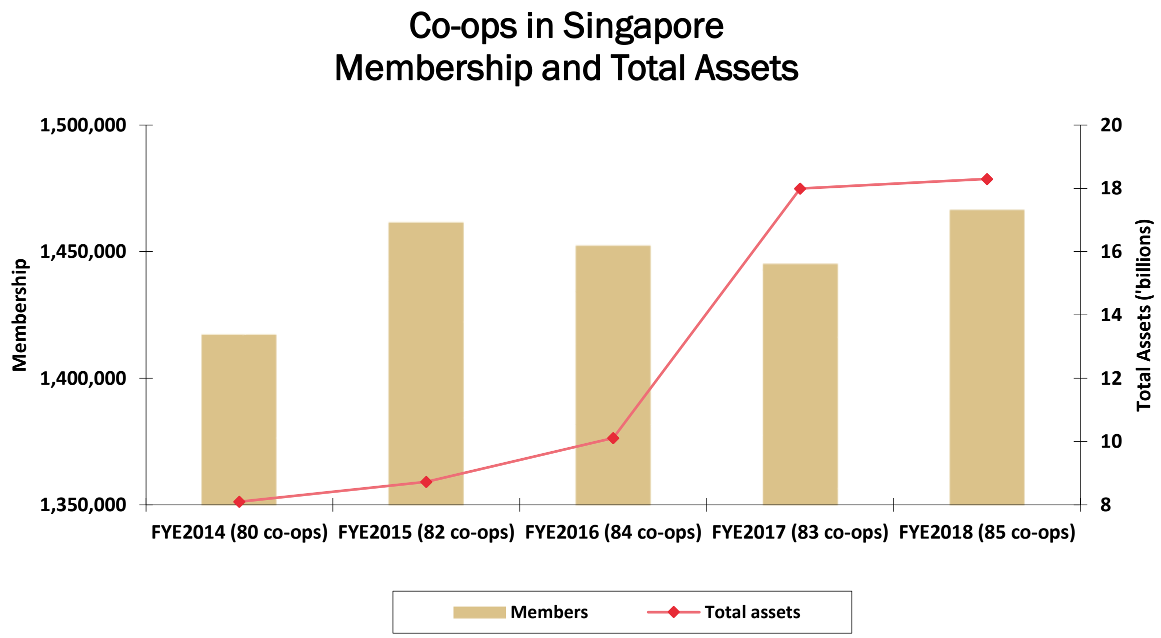
Dr Ang Hak Seng
Executive Director, Registry of Co-operative Societies
October 2019

CO-OPERATIVE SOCIETIES STATISTICS

1. Co-ops are business entities where people voluntarily unite to achieve a common social or economic aim. Co-ops operate on principles of self-help and mutual assistance, and have social missions that benefit their members or society at large.

2. Co-ops in Singapore are regulated by the Registry of Co-operative Societies, under the Co-operative Societies Act (Chapter 62) and Co-operative Societies Rules 2009.

3. **1,458,000 members** in **85 co-ops** held **$18.3 billion**[1] in total assets as at 31 March 2019 ("FYE2018").



[1] Data derived from co-ops' Audited Financial Statements ("AFS") for the financial year ended 31 December 2018 / 31 March 2019 where available. Otherwise, data was obtained from the last available AFS.

4. Co-ops are classified into two categories:

a. **Consumer and Services Co-ops**[2] provide goods and services to their members and the public. They are driven by a social mission to help residents in Singapore through moderating the cost of living or targeted services.

62 consumer and services co-ops serving
1,325,000 members with
$17.3 billion in total assets

b. **Credit Co-ops** provide financial services to their members within a pre-existing common bond of association such as the same race, employer or profession.

23 credit co-ops serving
133,000 members with
$1 billion in total assets

[2] From 2019 onwards, the Registry has reclassified school co-ops to be subsumed within consumer and services co-ops.

Registration and De-registration of Co-ops

5. During the year, 3 co-ops were registered and 1 co-op was deregistered.

6. The newly registered co-ops are:

a. **GP+ Co-operative Limited** – Registered on 28 August 2018, its main objective is to transform healthcare by providing good quality, reasonably priced and ethical healthcare options. It also aims to help in business development and control cost of goods for doctors through collective bargaining power and combining resources.

b. **Kyosei Travel Co-operative Limited** – Registered on 24 September 2018, it is a secondary co-op (i.e. comprises only institutional members) founded by the Singapore Manual & Mercantile Workers' Union. The primary goal is to provide substantial discounts by working with its travel partners to offer cost-plus pricing to its members and union members.

c. **Istoria Cooperative Singapore Limited** – Registered on 1 November 2018, the co-op champions the sustainability of creativity in Singapore. With a focus on creative (design, photography, videography and content creation) and other supporting business opportunities, the co-op aims to retain the relevancy of freelancers in the creative industry and beyond.

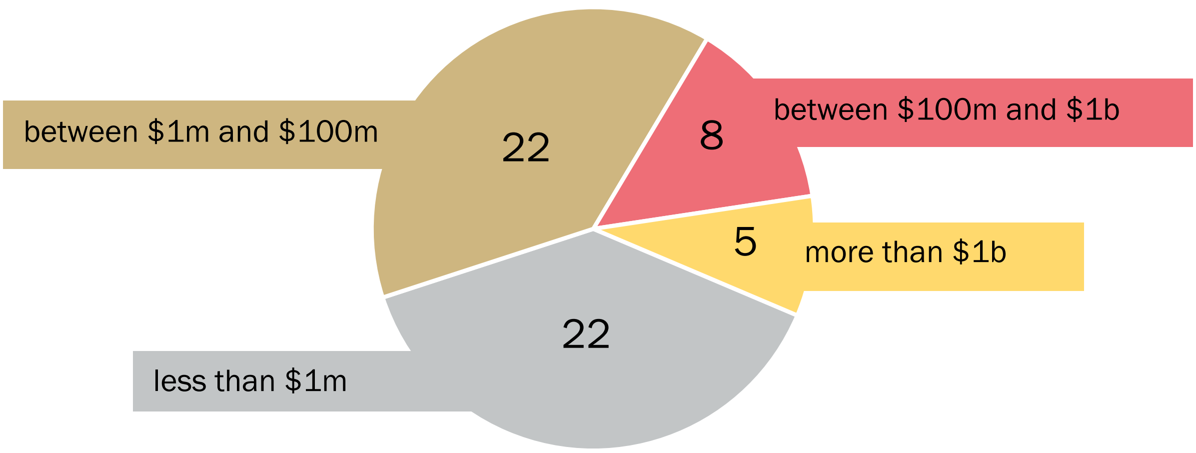
7. The Singapore Polytechnic Co-operative Limited was deregistered on 1 March 2019.

Overview of Consumer and Services Co-ops

8. Consumer and services co-ops provide goods and non-financial services to their members while fulfilling social missions. These co-ops protect the economic interests of their members through their activities, such as providing employment opportunities, selling goods or supplying tailored services on a co-operative basis. The **total assets** held by **57**[3] **consumer and services co-ops** amount to approximately **$17.3 billion.**

9. There were 22 consumer and services co-ops with less than $1 million in total assets each, while 5 co-ops[4] have over $1 billion in total assets each.

Consumer and Services Co-ops by Total Assets



[3] Excludes new co-ops.
[4] (in alphabetical order) Mercatus Co-operative Limited, Mercatus Epsilon Co-operative Limited, NTUC Enterprise Co-operative Limited, NTUC Fairprice Co-operative Limited and NTUC INCOME Insurance Co-operative Limited.

Overview of Credit Co-ops

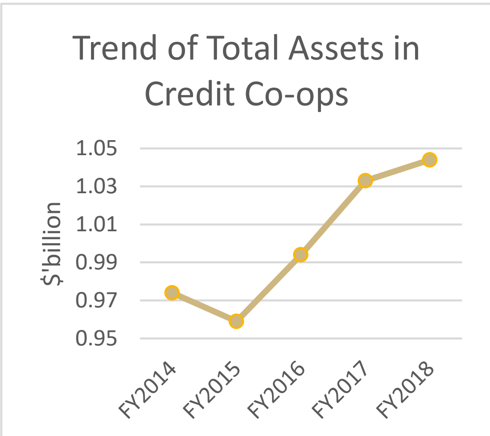
10. Credit co-ops take in deposits from and give out loans to their members. They have a fiduciary duty to their members to exercise prudent oversight over their deposits.

11. Currently, there are **23 credit co-ops**. The table below shows the key financial figures for the financial year ended 31 December 2018 or 31 March 2019.

12. **Eight (35%) credit co-ops[5] hold more than $50 million in total assets each.** Together, they account for about 80% of the total assets, in total deposits, total loans granted and the sector's profits (before appropriations and comprehensive income).

Total Assets: $1.044 billion (↑ 1.1%)

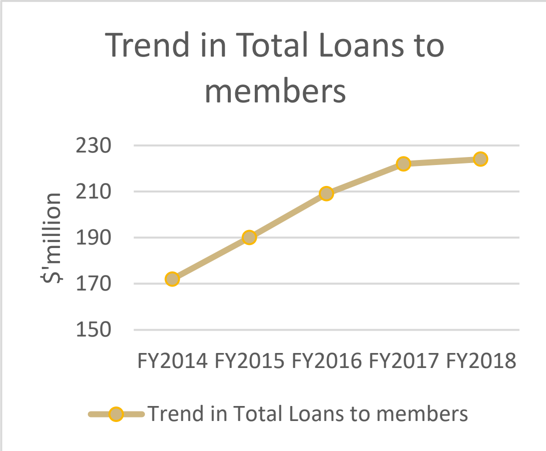
- Total liquid assets[6] of $415 million
- 8 credit co-ops with total assets over $50 million; of which 2 credit co-ops have total assets over $100 million
- 4 credit co-ops with total assets of less than $1 million



[5] (in alphabetical order) AUPE Credit Co-operative Limited, Polwel Co-operative Society Limited, Singapore Government Staff Credit Co-operative Society Limited, Singapore Mercantile Co-operative Society Limited, The Singapore Police Co-operative Society Limited, Singapore Teachers' Co-operative Society Limited, Straits Times Co-operative Limited and TCC Credit Co-operative Limited.
[6] "Liquid Assets" is defined in the Annex.

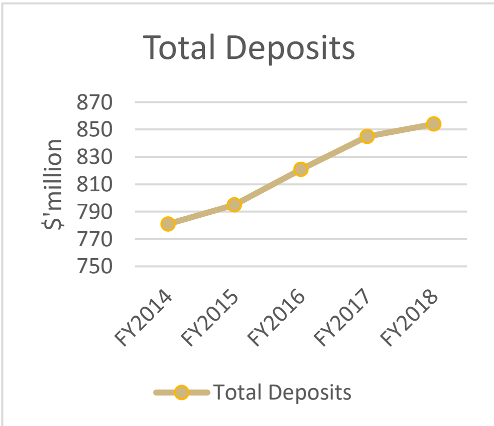
Total Outstanding Loans to members: $226 million (↑ 1.8%)

- 3 credit co-op with total outstanding loans to members over $30 million
- 8 credit co-ops with total outstanding loans to members less than $1 million
- 2 credit co-ops with loan-to-asset ratio above 50%
- Average loans-to-assets ratio is 23%
- During the year, $121 million in loans were granted to members, of which $3.5 million were in exceptional unsecured loans[7]



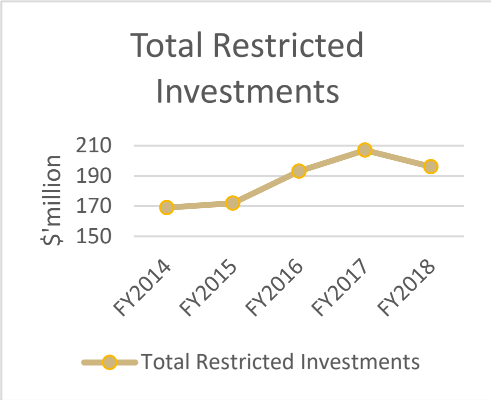
Total Deposits: $854 million (↑ 1.1%)

- 2 credit co-ops with total deposits of more than $100 million
- 3 credit co-ops with total deposits less than $1 million
- 2 credit co-ops do not take in any deposits
- Average deposits per member is $6,100



[7] "Exceptional unsecured loans" is defined in the Annex.

Total Restricted Investments ("RI")[8]: $196 million (↓ 5.3%)



- 1 credit co-op with RI over $50 million
- 2 credit co-ops with RI less than $1 million
- 9 credit co-ops did not have any RI
- 9 credit co-ops have obtained their members' and the Registrar's approval for RI limit[9] of 30% for different periods of up to 3 years
- 2 credit co-ops have obtained their members' approval for RI limit of 20% for different periods of up to 3 years
- Average RI to assets ratio is 11%

[8] The definition of "Restricted Investments" is found in the Annex.
[9] Credit co-ops are allowed to invest up to 10% of their total assets in RI. In addition, credit co-ops may also seek members' approval for a 20% limit, or both members' and the Registrar's approval for a 30% limit, subject to conditions. More information can be found in the Annex.

COMPLIANCE WITH KEY STATUTORY AND REGULATORY REQUIREMENTS

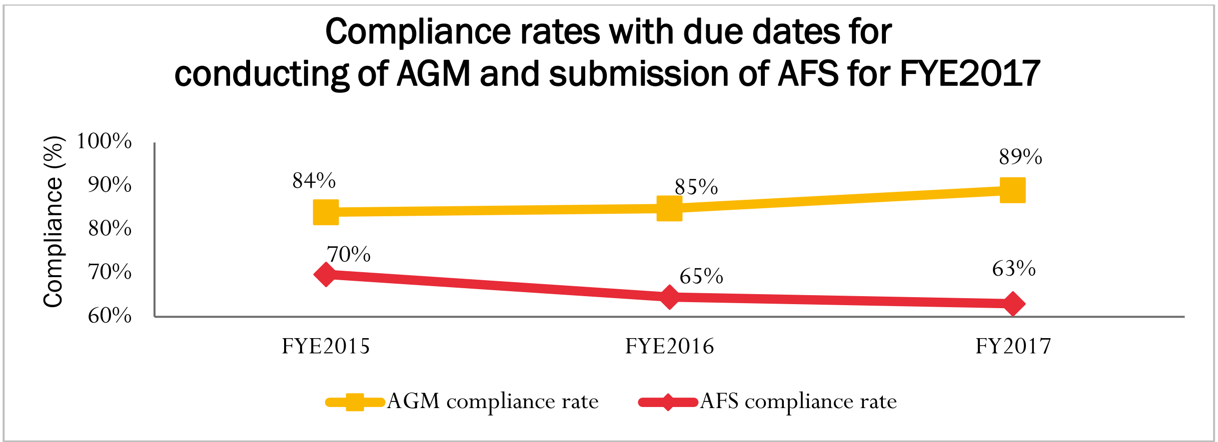
Statutory Requirements for All Co-ops

13. The Co-operative Societies Act stipulates that no later than 6 months after the end of the financial year, unless an extension is granted by the Registrar, all co-ops shall:

- ✓ Hold an Annual General Meeting ("AGM"); and
- ✓ Submit their Audited Financial Statements ("AFS") and Annual Report to the Registry

The annual report, audited financial statements and audit report must be made available to members and delegates entitled to attend the general meeting at least 15 clear days before the general meeting.

14. In FY2018, **79 co-ops were required to hold their AGM and to submit their AFS**[10] for the previous financial year ended 31 December 2017 / 31 March 2018 ("FYE2017").



[10] This excludes co-ops that are undergoing liquidation.

15. The above graph shows that the **majority of co-ops comply with the deadlines to conduct AGM and submit AFS**. There was a slight improvement in holding of AGM, where 70 co-ops (89%) complied with the holding of AGM for FYE2017, up from 67 co-ops (85%) for FYE2016. There was no significant change in the percentage of co-ops that complied with the submission of AFS.

16. Out of the co-ops which did not submit their AFS by the deadline, most of them (18 co-ops or 23%) submitted their AFS within 1 month after the deadline. Co-ops that submitted their AFS more than 1 month after the deadline or failed to submit their AFS had expressed intent to dissolve, were in the midst of dissolution or under monitoring by the Registry. The Registry takes a serious view on non-compliance and will take enforcement actions if necessary.

Timely submissions increase members' trust in the Committee of Management.

Prudential Requirements for Credit Co-ops

17. To refocus credit co-ops towards their core business of thrift and loan, prudential requirements[11] for credit co-ops were put in place to ensure prudence in operations and improve risk management standards. The prudential requirements are periodically reviewed to keep up to date with the industry trends and address emerging concerns.

[11] A summary of the prudential requirements can be found in Annex.

18. **Twenty-one credit co-ops are subject to prudential ratios**[12]. Their compliance with the prudential ratios for the financial year ended 31 December 2018 / 31 March 2019 ("FYE2018") in comparison to the previous two financial years is provided in the table below.

Credit Co-ops that have met the minimum prudential ratios, compliance in numbers and percentage

Prudential Requirement	FYE2018	FYE2017	FYE2016
Minimum Liquid Assets ("MLA")	21 (100%)	21 (100%)	21 (100%)
Capital Adequacy Ratio ("CAR")	16 (76%)	18 (86%)	18 (86%)
Restricted Investments ("RI")	21 (100%)	20 (95%)	18 (86%)

19. The compliance for CAR dropped in FYE2018 as 2 credit co-ops did not meet the minimum CAR. These 2 co-ops incurred a deficit for the year, which reduced their institutional capital.

20. The Registry continuously engages and works with credit co-ops which are unable to meet the CAR requirement. This allows the Registry to understand and assess their situation, to better assist them in working towards compliance. Credit co-ops with low CAR should take active steps to increase their

While credit co-ops seek to retain and attract members, there must also be strong institutional capital to ensure long-term sustainability of the credit co-ops.

[12] Two credit co-ops do not take in deposits. Hence they are not subject to the prudential ratios.

institutional capital, for example, by reviewing their business strategies, reducing excessive expenses, and where necessary, moderating the dividend rate to members and interest rate on deposits.

ACTIVITIES IN 2018

Audits on Credit Co-ops

21. The Registry commissions special audits on credit co-ops to ascertain their compliance with the regulatory and prudential requirements, the adequacy and effectiveness of their internal controls, as well as the state of governance. Upon completion of the audit, each credit co-op is issued a report with findings and specific recommendations to address the identified gaps. Thus, such audits serve as a "health check" for the credit co-ops to help them improve their processes and better protect their members' interests.

22. The latest audit exercise that started in January 2018, covering 6 selected credit co-ops, has been completed. The common findings and recommendations were:

- Policies and Procedures ("P&P") – P&P should be regularly reviewed and updated. Otherwise, there could be inconsistencies or a lack of clarity in terms of the controls performed by staff and discontinuity in operations in the event of staff turnover. The co-ops also need to have P&P to deal with conflict of interests and related party transactions.

- Committee of Management and sub-committees – There should be formalised terms of reference for the committees. Their work and activities should be documented.

- Audit Committee ("AC") and internal auditors – The roles of the AC and internal auditors should be defined, so that both parties can function independently and effectively.

- Prudential requirements – Credit co-ops must perform periodic reviews and make provisions for the bad and doubtful loans. They should also strengthen their internal controls for processing loan applications, particularly in adhering to the applicable loan limits and performing proper credit evaluation in accordance to the written directions issued by the Registry.

23. The Registry is currently following up with the 6 credit co-ops in implementing the consultants' recommendations. We will commence the next round of audits in the last quarter of 2019.

Amendments to the Co-operative Societies Rules and The Schedule

24. Following the amendments to the Co-operative Societies Act (effective 10 April 2018), the amended Co-operative Societies Rules came into operation on 22 April 2019. In addition to changes that were pursuant to the Act amendments, others included technical updates to provide further clarity, as well as to provide more flexibility in the administration of the CCF.

25. The Schedule to the Co-operative Societies Act was amended on 20 June 2019 to streamline the by-law requirements of co-ops.

Governance Guides for Credit Co-ops

26. The Registry and SNCF have worked closely to issue three Governance Guides for credit co-ops, on Internal Controls, Loan Management and Investment Management. We sought feedback from the credit co-ops before issuing the guides to understand the credit co-ops' concerns and practicality of the guides.

27. The Governance Guides were issued on 2 May 2018, and the accompanying course commenced in July 2018.

Revised Written Directions

28. The Written Direction for Investments was issued on 24 October 2018 and effective from 1 November 2018. It introduced a new category called "special investments" or "SI", which allows credit co-ops to pool their excess funds and invest in the new Central Investment Scheme ("CIS")[13]. The larger investment base allows co-ops to enjoy economies of scale and preferential rates from the fund manager. Credit co-ops may invest up to 10% of their total assets into SI; investments in SI in excess of the 10% will be counted as RI. Co-ops are able to participate in the scheme from 22 April 2019.

29. The revised Written Direction also specifically prohibits credit co-ops from investing in cryptocurrency.

30. The revised Written Direction on Provisions for Bad and Doubtful Loans, and Impairment Loss for Investments was issued 18 December 2018 and effective from 21 December 2018. The amendments reflected changes in the international accounting standards.

Annual Report Requirement

31. Co-op members vote at general meetings and elect the Committee of Management to lead the co-op. Members can play a role to improve and strengthen their co-ops by serving as an additional layer of check and balance.

[13] "Central Investment Scheme" is defined in the Annex.

Hence, there must be adequate and timely disclosure of the co-op's activities in the Annual Report to members.

32. To ensure that co-ops disclose sufficient information to members for them to make informed decisions, the Registry issued the Annual Report Requirement on 10 April 2019, which sets out the minimum information to be disclosed in annual reports. The Requirement is applicable to annual reports issued from 1 July 2019.

Members play a vital role in ensuring that their co-op meets their needs and the Committee of Management acts in their best interests.

DEVELOPMENT AND PROMOTION OF THE SECTOR

Contributions from Co-ops

33. The Co-operative Societies Act requires co-ops to contribute 5% of the first $500,000 of their annual operating surplus to the Central Co-operative Fund ("CCF"), and 20% of any operating surplus in excess of $500,000 to either the CCF or the Singapore Labour Foundation ("SLF").

34. The CCF is used to further co-op education, training, research, auditing, and the general development of the co-op movement in Singapore.

35. Co-ops' contributions to the SLF are used to support initiatives that are in line with its mission of furthering the development of a labour movement of unions and co-ops, and to promote the welfare of union members and their families. These initiatives aim to:

- help needy union members in time of financial need;
- safeguard workers' welfare and rights through developing compassionate and committed union leaders to represent workers; and
- moderate the costs of daily essentials for working families by partnering social enterprises.

36. **Co-op contributions to the CCF** for the financial year ended 31 March 2019 was **$3.2 million** and **co-op contributions to the SLF** for the financial year ended 31 December 2018 was **$139.3 million.**

Central Co-operative Fund Committee

37. The Minister for Culture, Community and Youth appoints the CCF Committee to oversee the CCF. The current Committee is serving a three-year term effective from 1 March 2018.

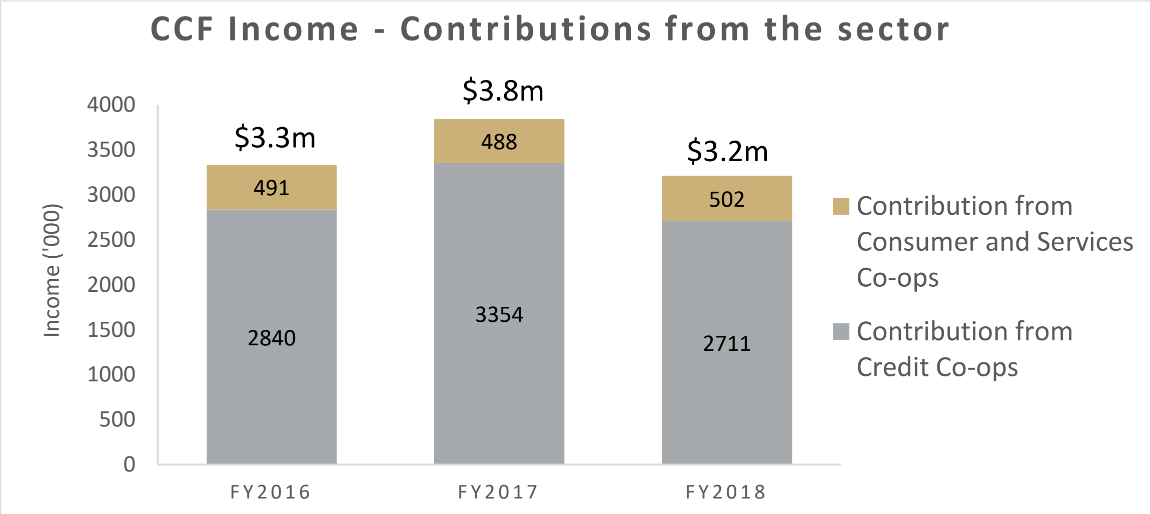
38. The Committee comprises of the following individuals:

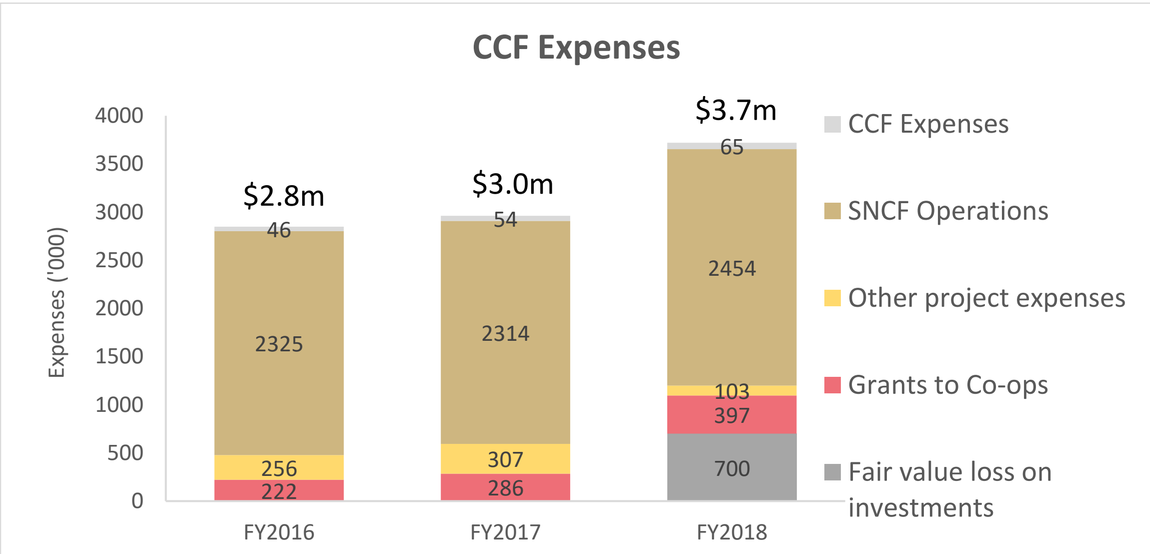
Position in Committee	Name	Organisation
Chairman	Mr Tan Kian Chew	Chairman, Centre for Seniors
Members	Dr Ang Hak Seng	Executive Director, Registry of Co-operative Societies
	Mr Kwek Kok Kwong	Chairman, Singapore National Co-operative Federation Chief Executive Officer, NTUC LearningHub Co-operative Ltd
	Mr Ma Wei Cheng	Former Adviser, Amalgamated Union of Public Employees
	Mr Yoong Ee Chuan	Secretary, Ngee Ann Polytechnic Consumer Co-operative Society Limited

39. The co-op industry body, SNCF serves as Secretariat to the CCF. SNCF provides services including training, shared services, CCF grants and

networking opportunities. It also serves as the collective voice representing the co-op movement on local and international platforms.

40. The following graphs illustrate the CCF contributions[14] received from co-ops and its expenditure[15] for the past 3 financial years.





[14] Contributions from co-ops make up about 85% of the CCF's income. Other components (not reflected above) are dividends, surplus from investment management and other income.
[15] "Fair value loss on investments" was added as a new expenditure due to updates in Financial Reporting Standards ("FRS").

41. As Secretariat to the CCF, key initiatives by SNCF to promote and develop the sector during the financial year are highlighted below.

Capability Building and Grants

CCF Grants – There are 10 types of CCF grants to support the development of the co-ops. These grants aim to improve co-ops' capabilities and operations so as to better serve their members. In 2018, almost $400,000 in CCF grants were disbursed. The majority of the grants were disbursed to assist co-ops in manpower costs for hiring an accountant ($125,000), subsidise training ($65,000), and engage consultancy services ($53,000).

Training Courses – SNCF arranged courses and provided training materials to improve the co-ops' governance and raise their capabilities. The courses covered topics such as governance, financial accounting and induction programmes. There were about 700 attendees attaining almost 4,300 training hours in FYE2018.

International Co-op Conferences – International conferences allow co-op officers to learn about emerging trends around the world and best practices for the sector. Co-ops may apply for the CCF Development Grant to take part in local or overseas seminars or conferences.

In 2018, the World Credit Union Conference ("WCUC") was held in Singapore. A special subsidy under CCF Training Grants was introduced to encourage more co-ops to send their officers to attend and learn from the conference. Sixty-four officers from the local co-ops attended the WCUC in 2018.

Seven co-op officers also attended the International Co-operative Alliance Asia Pacific Conference in Iran, and 19 attended the Association of Asia Confederation Credit Union Forum in Philippines.

CCF Scholarship – SNCF administers the CCF Scholarship programme and disbursed $142,000 for 8 scholars.

Collaboration & Co-operation

Collaboration between co-ops and with coop clubs[16] – SNCF set up the "Collaborative Affiliate Directory" on their website, which highlights co-ops' products and services. This also allows co-ops to learn about one another and seek partnership opportunities. SNCF also connected over 1,400 students (from coop clubs) with co-ops to learn about their businesses and social missions.

Sustainable Development Goals ("SDGs")[17] – This initiative aims to create awareness of the United Nations SDGs to the co-op movement. In FY2018, 15 co-ops participated in 5 programmes related to 2 SDGs; of which 3 were on health and 2 were on education.

[16] Coop clubs are managed by and under the purview of the school in which they operate from, to raise awareness and empower youths to gain first-hand experience of running a social enterprise based on co-op values. Coop clubs are not registered co-ops hence they are not regulated by the Registry.
[17] The SDGs are 17 goals adopted by all United Nations Member States for a better world by 2030.

Awareness Building

Hosting Overseas Delegates – SNCF hosted 10 overseas delegations in 2018, sharing the vision and mission of SNCF and about the co-op movement in Singapore.

Bicentennial Commemoration – SNCF held 2 events in conjunction with the Bicentennial celebrations. The first event in September 2018 showcased the credit co-op sector and how they helped members with their financial needs. The second event was held in February 2019 for the co-ops in the service and youth sectors. The events have attracted more than 18,000 people.

Photography Competition – The Hot Shots photography competition was held in February 2019. This year, the theme was “A Better Society”, where participants had to submit a photo that relates to building a better society involving at least one SDG. The competition attracted over 12,000 entries from 35 countries.

Schools – During the year, SNCF held assembly talks in schools, trained coop clubs’ members and conducted learning journeys. There were 6 new coop clubs formed during the year. As at 31 March 2019, there were 14 coop clubs.

THE YEAR AHEAD

Strengthening Competencies

42. To discharge their fiduciary duty to their members, the Committee of Management and key officers of credit co-ops should possess the relevant competencies and knowledge on credit co-op governance and management. A workgroup comprising representatives from the Registry, SNCF and the sector was formed to develop competency and training requirements for credit co-ops. The credit co-op sector had been kept informed of these proposals, while the Rules were being finalised. The Registry also met up with different co-ops to explain the rationale and address concerns.

43. The new Rules, published on 2 September 2019, prescribing the competency and training requirements for credit co-op officers, will come into effect from 1 November 2019. The Registry held a dialogue session with the credit co-ops on 24 September 2019 to help the co-ops better understand the new Rules and the relevant training grants that are available.

Governance Evaluation Checklist

44. The Code of Governance and Governance Evaluation Checklist were jointly issued by the Registry and SNCF in October 2016. The Governance Evaluation Checklist is based on a ‘comply or explain’ model. Credit co-ops are strongly encouraged to use the Governance Evaluation Checklist to check on the state of their governance.

45. The credit co-ops were given time to familiarise themselves with the relevant requirements, and will be required to submit the Governance Evaluation Checklist to the Registry. The date of the submission of the checklist will be announced soon.

Update to Model By-laws

46. Following the amendments to the Co-operative Societies Act and Co-operative Societies Rules, the Registry has updated the model by-laws for co-ops to be in line with the new regulations. The Registry issued the model by-laws for the sector on 10 October 2019.

Shared Services

47. Credit co-ops have to be more efficient in running their businesses to thrive in a fast-paced environment. In May 2019, the Registry and SNCF started a workgroup to consider possible shared services to help credit co-ops improve their efficiency. This is part of our continuous efforts to uplift the standards of credit co-ops, so as to better meet their members' needs and safeguard their interests.

Concluding note

48. The success of the co-op sector is a shared responsibility of all stakeholders. We therefore hope to have the continued support of the sector in enhancing its governance, competency and service standards. The Registry will continue to engage and strengthen our partnerships with our stakeholders.

49. Co-ops should also look for opportunities to innovate and collaborate with one another, to stay relevant in a rapidly changing world. With active involvement from the co-ops and their members, we can build a civic culture of care, mutual help and active contribution.

ANNEX – PRUDENTIAL REQUIREMENTS FOR CREDIT CO-OPERATIVES

The issuance and effective dates of the Written Directions are indicated below:

Written Direction on Prudential Requirement	Issue Date	Effective Date
Capital Adequacy and Restriction on Dividend	21 Apr 2011 **Revised:** 29 Jun 2016	30 Jun 2011 **Revised:** 1 Jul 2016
Minimum Liquid Assets	12 Mar 2010 **Revised:** 29 Jun 2016	31 Mar 2010 **Revised:** 1 Jul 2016
Investments	31 May 2010 **Revised:** 24 Oct 2018	30 Jun 2010 **Revised:** 1 Nov 2018
Provisions for Bad and Doubtful Loans, and Impairment Loss for Investments	26 Nov 2010 **Revised:** 18 Dec 2018	1 Jan 2011 **Revised:** 21 Dec 2018
Secured Loan Limits	29 Aug 2011	1 Nov 2011
Unsecured Loan Limits	31 Oct 2011 **Revised:** 29 Jun 2016	1 Apr 2012 **Revised:** 1 Jul 2016
Submission of Financial Returns	2 Feb 2012 **Revised:** 7 May 2013	6 Feb 2012 **Revised:** 10 May 2013

Capital Adequacy Ratio and Restriction on Dividends

The Capital Adequacy Ratio ("CAR") ensures that credit co-ops have sufficient institutional capital to absorb operational losses. It is calculated as:

$$\text{CAR (\%)} = \frac{\textit{institutional capital}}{\textit{total assets}} \times 100$$

"institutional capital" is the sum of the following:

a) the credit society's accumulated surplus/deficit or unappropriated surplus;

b) the credit society's general reserves or general funds (excluding reserves and funds established for specific purposes, such as, common good, scholarship, fair value or revaluation, loan default, or provisions for bad and doubtful loans);

c) cash donations.

Credit co-ops with less than the CAR requirement as at financial year end and which intend to distribute dividends from that year's surplus must seek the Registrar's written approval for the proposed dividends.

Minimum Liquid Assets

Minimum Liquid Assets ("MLA") ensures that credit co-ops which receive deposits have sufficient liquid assets at any given time to meet day-to-day and higher than usual withdrawals by their members. It is calculated as:

$$\text{MLA (\%)} = \frac{\textit{liquid assets}}{\textit{total deposits}} \times 100$$

“Liquid assets” refer to cash, Singapore dollar deposits in Financial Institutions and Singapore Government Securities that are free from prior encumbrances.

“Total deposits” means the sum of the following which are held by the credit society: all moneys in the current accounts and deposit accounts, and subscription capital.

Investments

“Restricted Investments” or “RI” means any form or type of investment other than –

a) bonds issued by any statutory board in Singapore;

b) Singapore Dollar deposits in financial institutions licensed by the Monetary Authority of Singapore;

c) Singapore Government Securities;

d) capital-guaranteed investment funds or products managed by financial institutions licensed by the Monetary Authority of Singapore, where the issuer(s) guarantee the return of 100% of the capital invested at a predetermined date in the future; and

e) special investments up to 10% of the total assets of the credit society.

Credit co-ops are allowed to invest up to 10% of their total assets into RI. Credit co-ops may seek members’ approval for a 20% RI limit, or members’ and Registrar’s approval to invest up to 30%, subject to conditions.

Co-ops may also invest in special investments ("SI"), up to 10% of the total assets of the credit co-op, subject to conditions. Investments in SI above 10% of total assets will be counted as RI. The SI refer to investments in the Central Investment Scheme ("CIS"), which is an investment scheme established in conjunction with the Central Co-operative Fund, to allow co-ops to pool and invest their funds with a fund manager.

Provisions for Bad and Doubtful Loans, and Impairment for Investments

Credit co-ops must make the relevant provisions and impairments in accordance with FRS109 at least half-yearly.

Secured and Unsecured Loan Limits

Credit co-ops may grant secured and unsecured loans in accordance with the limits prescribed by the Registry, which vary according to loan type.

Depending on a credit co-op's CAR and MLA, and if the borrower has salary check-off or qualified sureties, credit co-ops may grant unsecured general loans to each borrower up to the applicable loan limit. Any amount of the unsecured general loan above the applicable loan limit of a borrower is considered as an "exceptional unsecured loan".

All credit co-ops are subject to an "exceptional unsecured loan allowance", which is the maximum amount of exceptional unsecured loans a credit co-op may grant in a financial year. The exceptional unsecured loan allowance for is calculated as 5% of either:

a) The total amount of unsecured general loans granted in the previous financial year; or

b) The average per financial year of the total amount of unsecured general loans granted in the previous two financial years.